Information on Washington's Tax Structure



Washington State Horse Industry

The information contained in this fact sheet is current as of the date of publication and is intended only as general information. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.

The number of horses owned by Washington's residents ranks the state among the nation's leaders in horses per capita. This equine population represents thoroughbreds, quarter horses, Arabians, appaloosas, pintos, or mixtures of several breeds. Horses may be used for racing, competing, showing, pleasure and sport riding, rodeo riding, jumping, driving, trail guiding, breeding, etc. Many individuals and businesses provide products and services to this unique market.

Do I Need to be Registered?

Under Washington's tax law, when you engage in any activity, including hobbies, for gain, benefit, or advantage (regardless of profit or loss), you are considered a "business" and you may be subject to Washington's business and occupation (B&O) tax. Because the B&O tax is a gross receipts tax, very few deductions are allowed from the taxable income. Many of the activities associated with the horse industry are taxable business activities. If you are active in the horse industry, you may be required to register if:

- Your gross income from any one or a combination of the below listed activities is \$12,000 or more in a calendar year; or
- You are engaged in an activity which requires you to collect sales tax.

Independent contractors are considered to be in business and must register with the Department of Revenue. If you are not sure if you are an independent contractor, please contact the Department of Revenue at the number listed on the back of this publication for more information.

Following are some activities associated with horses in which a business, independent contractor, or individual may have tax liability with the Department.

Trainers, Buggy Drivers, Exercisers, Riders, Performers, Jockeys, and Farriers

Income received by businesses or independent contractors for training, buggy driving, exercising, riding, showing, grooming, or shoeing/plating horses is taxable under the service and other activities (service) B&O tax classification.

Sales of Horses

Sales of horses may be made through claiming races, auctions, on the farm, or by individuals. All sales are considered retail sales unless otherwise specified. The sale must be reported under the retailing B&O tax classification by all businesses.

Retail sales tax is due on all retail sales made in the state of Washington, unless there is a specific exemption. An exemption from the retail sales tax is granted for sales of horses, registered with a nationally recognized breeding association, when they are purchased for breeding purposes (racing to determine the value of the breeding stock is considered a breeding purpose). The retail sales tax exemption certificate for breeding purposes must be filled out by the purchaser and given to the seller. Please contact the Department for a copy of this exemption form.

Retail sales tax must be collected on all retail sales of geldings, spayed mares, and nonregistered horses. Income derived from leasing horses is subject to the retailing B&O tax and retail sales tax. Leased horses also qualify for the breeding stock exemption from retail sales tax.

When a horse is purchased at wholesale, the purchaser must resell the horse without intervening use.

The sale is considered a retail sale unless all of the following elements exist:

- There is no intervening use of the horse (no showing, racing, breeding, etc.) between the time of purchase and time of resale;
- The horse is resold within 60 days; and
- The seller receives a properly completed resale certificate from the purchaser.

Income from horses sold at wholesale is subject to the wholesaling B&O tax.

Boarding Income

Income received for boarding horses is subject to the service and other activities B&O tax.

The stable owner may not deduct the fees associated with veterinarian charges, farrier charges, transportation costs, etc., from the boarding gross income, unless the stable owner is acting as an agent on behalf of the horse owner, and the stable's books reflect the principal/agent relationship. The horse owner must have primary responsibility for payment and is merely reimbursing the stable for expenses incurred (see Washington Administrative Code 458-20-111 and -159 for guidelines). If the expenses are "marked up" when charged to the horse owner, the deduction for reimbursed expenses will not be allowed.

Sales of Feed

Businesses making retail sales of feed must pay the retailing B&O tax on the gross proceeds of these sales. Sales of feed for breeding animals, registered with a nationally recognized breeding association, are retail sales, but are not subject to the retail sales tax. To validate the exemption from retail sales tax, the horse owner must give a completed breeders' exemption certificate to the seller stating that the horse is registered with a nationally recognized breeding association, and is for breeding purposes. Feed for geldings or spayed mares is subject to the retail sales tax.

When a stable purchases feed for boarded horses and does not segregate the charge on the boarding bill, the stable must pay retail sales tax on all of the feed.

When the feed charges are separately stated on the bill, the stable can purchase the feed at wholesale for

resale (the stable must give the seller a properly completed resale certificate), and not charge retail sales tax on the feed for the registered breeding animals. Retail sales tax must be collected on the feed sold for other animals.

Breeding/Stud Fees

Income derived from breeding activities or stud fees is taxable under the service B&O tax classification.

Semen sold for artificial insemination of livestock is a retail sale, subject to the retailing B&O tax. An exemption from the retail sales tax is available for sales of semen used to artificially inseminate livestock (RCW 82.08.0272).

Purses, Bonuses, Awards, Prizes

The amounts received from purses, bonuses, awards and prizes won within Washington State are subject to the service B&O tax classification. No deductions are allowed for amounts paid to jockeys, trainers, or other costs of doing business.

Use Tax

All consumers, whether a business, independent contractor, or individual, are required by law to pay retail sales tax or use tax on taxable goods to be used in Washington. Use tax is due on items purchased for use in Washington, if retail sales tax was not paid. For example, tack purchased out of state, or through catalogs or magazines, is subject to use tax, if retail sales tax is not included in the bill. Geldings and spayed horses purchased out of state for use in this state are also subject to retail sales/use tax. The use tax rate is the same as the retail sales tax rate. To calculate use tax, multiply the retail sales tax rate in effect where the goods are primarily used or located by the purchase price. The use tax may be paid on the Combined Excise Tax Return or directly to the Department on the Consumer Use Tax Return.

If you are engaging in business activities, would like more information on your specific situation, or the topics in this publication, contact the Department of Revenue at 1-800-647-7706. You may also send your questions by e-mail to: communications@dor.wa.gov.

Publications Order Form

The Department of Revenue offers numerous publications covering a wide range of topics. These publications are available upon request by calling the Telephone Information Center at 1-800-647-7706, by contacting your local Revenue office, or by completing this form and mailing it to: Department of Revenue, Taxpayer Services Division, PO Box 47478, Olympia, WA 98504-7478. Many of these publications are also available on the Department's Internet web site at http://dor.wa.gov.

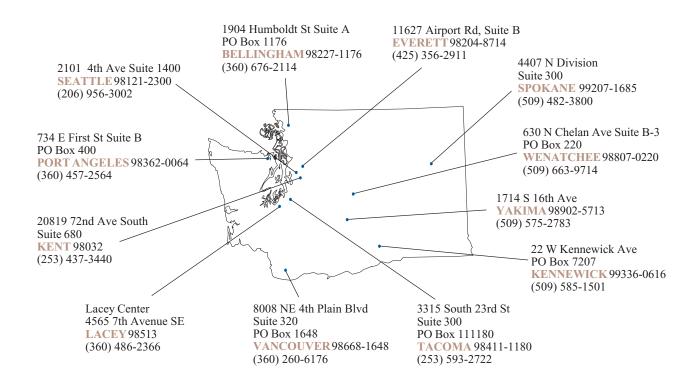
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Horse Industry Tip Sheet	Numerical listing and titles of ETAs
How to Amend Your Combined Excise Tax Return	Special Notice
Leasehold Excise Tax	identify by title and date
Nonprofit Organizations	WAC (Rule)identify by number
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PLEASE SEND PUBLICATION(S) TO:	Washington Tax Factsidentify by date
Contact Person:	
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FIELD OFFICE LOCATIONS



Telephone Information Center 1-800-647-7706

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Teletype (TTY) users please call 1-800-451-7985.

